

State Dept. declassification & release instructions on file

DATE: 22 Aug 74 STATINTL

TO: Messrs. Proctor/Walsh/

FROM: Jack

STATINTL

SUBJECT: Further on GAO Visit to Hong Kong

REMARKS:

Attached is a lengthy cable from Hong Kong elaborating on the visit of two GAO reps to the city. They were very pleased with their first visit-- 12-16 August -- and would like a curtain call in early September. They also plan a stop in Tokyo and possibly Singapore during their September swing.

STATINTL

Any further dissem?

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TO RUEHC/SECSTATE WASHDC 1950

INFO RUEHNG/USLO PEKING 2410

RUEHKO/AMEMBASSY TOKYO 7305

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C O N F I D E N T I A L SECTION 1 OF 2 HONG KONG 9349

EXDIS

E.O. 11652: GDS

TAGS: AFSP

SUBJ: GAO REVIEW: EAST-WEST TRADE

REF: STATE 169360; STATE 163503

SUGGEST DEPARTMENT PASS TO COMMERCE AS WELL AS EA, EB AND A

1. SUMMARY: ~~Approved For Release 2002/01/03 : CIA-RDP80B01495R000800060027-9~~

TRADE PROBLEMS, SAID THEY WERE HIGHLY PLEASED WITH THEIR

*DD/ER*

*qdd!*

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INTENSIVE AUGUST 12-16 PROGRAM OF INTERVIEWS WITH CONGEN  
OFFICERS, U.S. APPROVED FOR RELEASE 2002/01/03 : CIA-RDP80B01495R000800060027-9  
TRADE OFFICIALS. REALIZATION OF POTENTIAL COMPLICATIONS  
LED TO WITHDRAWAL OF THEIR INITIAL REQUESTS FOR CALLS ON  
CHINA RESOURCES COMPANY AND BANK OF CHINA AS WELL AS TO  
MODIFICATION THEIR PRECONCEPTIONS AS TO PRC-U.S. TRADE  
DETERMINANTS AND CONDITIONING FACTORS. TENTATIVE PLANS  
CALL FOR FOLLOW-UP VISIT HERE EARLY SEPTEMBER FOR FURTHER  
INTERVIEWS AS WELL AS FURTHER REVIEWS OF CONGEN FILES.  
CONGEN'S PRIOR SCREENING OF FILES PER FAM RELUCANTLY  
ACCEPTED PENDING FURTHER GAO DISCUSSION WITH STATE LEGAL  
OFFICIALS. DURING VISIT, WASHINGTON GAO PROJECT MANAGER  
RICHARD PRICE SPEARHEADED QUESTIONS AND DISCUSSIONS WITH  
DENIS SMITH FROM GAO'S HAWAIIAN OFFICE GENERALLY LISTEN-  
ING AND NOTETAKING. SMITH, ACCOMPANIED BY ANOTHER OFFICER  
FROM HAWAII, PLANS HANDLE SEPTEMBER VISIT ALONG WITH STOPS  
AT TOKYO AND POSSIBLY SINGAPORE BEFORE OR AFTER HONG KONG  
VISIT . END SUMMARY

2. AREAS OF ENQUIRY INTO CHINA TRADE AS DESCRIBED TO

CONGEN AT OUTSET AND REITERATED PRIOR TO OUTSIDE INTER-  
VIEWS WERE:

- A) TRADE EFFECTS OF WASHINGTON'S PRESENT POLICY  
AND DECISION-MAKING STRUCTURE;
- B) POSSIBILITIES OF PROMOTING TRADE;
- C) METHODS OF CONTROLLING AND MONITORING TRADE;
- D) LONG-TERM POLICY AND PLANNING.

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3. IN WIDE -RANGING DISCUSSION WITH MEMBERS OF THE

AMERICAN CHAMBER 'S CHINA COMMERCIAL RELATIONS COMMITTEE,

BUSINESSMEN COMPLAINED THAT PRC OVERESTIMATED U.S. INVESTMENT IN PRC.   
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MARKETING TECHNIQUES, SUPPLY CONSTRAINTS, AND COMPETITIVE DISADVANTAGE OF U.S. FIRMS IN EXPORT FINANCING. PRC WAS DESCRIBED AS OVERRATED MARKET, WITH SEVERAL BUSINESSMEN INSISTING THAT IF U.S. COMPANIES WOULD PUT ONE- TENTH PRESENT PRC SALES EFFORT INTO SOUTHEAST ASIAN MARKET THEY WOULD GAIN FAR MORE VALUABLE RETURN. IN A LONG DISCUSSION ON EXPORT CONTROLS, BUSINESSMEN CAME DOWN SOLIDLY AGAINST CURRENT END-USE REQUIREMENTS FOR PRC, ALTHOUGH SOME WERE CONCERNED ABOUT UNCONTROLLED TRANSFER OF TECHNOLOGY. NATIONAL COUNCIL OF U.S. -CHINA TRADE ALSO CRITICIZED FOR PLACING TOO MUCH EMPHASIS ON BIG EXPORTERS.

4. THROUGHOUT SESSION GAO TEAM LARGELY CONTENTED THEMSELVES WITH ASKING LEADING QUESTIONS. UNPERTURBED AT APPARENT NAIVETE OF ENQUIRES, AND FLATTERED BY BEING CONSULTED ON TRADE POLICY BY WASHINGTON VISITORS, CHAMBER COMMITTEE OFFERED TO HOLD FURTHER SHIRT-SLEEVE SEMINAR ON THESE AND RELATED QUESTIONS IN SEPTEMBER WHEN GAO REPRESENTATIVES RETURN.

5. GAO APPROACH IN SUBSEQUENT MEETINGS WITH UK, CANADIAN, AUSTRALIAN AND WEST GERMAN TRADE OFFICIALS REFLECTED GROWING UNDERSTANDING. PRICE APPEARED SURPRISED AT HOW LITTLE OTHER GOVERNMENT S DID IN EITHER DIRECT ASSISTANCE OR MONITORING OF TRADE WITH PRC. PERHAPS CONDITIONED BY HIS PERCEPTION ABOUT THE CLOSE RELATIONSHIP BETWEEN GOVERNMENT AND BUSINESS IN JAPAN, HE SEEMED ALMOST IN-

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CREDULOUS WHEN, ONE AFTER ANOTHER, THE THREE DIPLOMATS  
SAID THEIR GOVERNMENT'S THOUGHT BUSINESS DID BETTER ON  
ITS OWN WITHOUT GOVERNMENT CONTROL AND DIRECTION. ALL  
AGREED, HOWEVER, THAT GOVERNMENT DID PLAY A VALUABLE  
ROLE IN: MAKING OVERALL ECONOMIC AND TRADE ANALYSES ON  
THE PRC (BECAUSE THE EFFORT WAS BEYOND CAPABILITY OF  
MANY FIRMS TO WHOM PRC IS JUST ONE OF MANY MARKETS); IN  
PROVIDING ON-THE-SPOT ADVICE IN PEKING AND AT THE CANTON  
TRADE FAIR; AND, IN FOLLOWING UP GOOD PROPOSALS WITH  
CHINESE TRADE OFFICIALS (MUCH CHEAPER FOR A FIRM THAN  
SENDING ONE OF ITS OWN OFFICIALS ALL THE WAY TO PEKING).

6. OTHER CONTACTS MADE BY TEAM TENDED TO REINFORCE  
VIEWS OBTAINED FROM CHAMBER AND OTHER COUNTRY OFFICIALS.  
AT HIS WRAP-UP INTERVIEW WITH CONSUL GENERAL ON AUGUST 16,  
PRICE SAID SCHEDULE AND PROGRAM HERE PROVIDED MANY USEFUL  
MEETINGS AND REFLECTED "GOOD USE OF OUR TIME". HE SAID  
HE RECOGNIZED LIMITATIONS ON OPPORTUNITIES FOR DIRECT  
TRADE PROMOTION AND THAT BASIC POLITICAL AND ECONOMIC  
DECISIONS BY CHINA WILL DETERMINE OUR TRADE POTENTIALS.  
SHORT OF RESOLVING UNDERLYING POLITICAL PROBLEMS OF  
DIPLOMATIC RELATIONS, THERE IS LITTLE THAT USG CAN DO  
DIRECTLY. EVEN WITH MFN, CLAIMS SETTLEMENT, ETC., BEST  
EXPECTATIONS ARE FOR CONTINUED SLOW GROWTH OF TRADE.

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TO RUEHC/SEC STATE WASHDC 1951

INFO RUESNG/USLO PEKING 2411

RUEHKO/AMEMBASSY TOKYO 7306

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C O N F I D E N T I A L SECTION 2 OF 2 HONG KONG 9349

EXDIS

7. PRICE SAID GAO FINAL REPORT ON EAST-WEST TRADE WAS  
DUE AT END OF YEAR BUT PROBABLY WOULD BE IN EARLY 1975.

SEPTEMBER FOLLOW UP TRIP IN HONG KONG IS BEING COVERED FOR THE

TALKS WITH COMPANIES, THIRD COUNTRY REPRESENTATIVES, FAR

EASTERN ECONOMIC REVIEW AND BUSINESS INTERNATIONAL

STAFFS, FILES REVIEW AND AMCHAM SEMINAR. ALSO UNDER  
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CONSIDERATION WAS FURTHER VISIT TO TOKYO AND SIDE TRIP  
TO SINGAPORE FOR INTERVIEWS WITH U.S. OIL AND MINING  
COMPANIES ON ACTUAL OR POTENTIAL TRADE RELATIONS WITH PRC.  
MEANWHILE, GAO ENQUIRY IN U.S. WILL INCLUDE DISCUSSIONS  
WITH USG AGENCIES, U.S. COMPANIES HEADQUARTERS AND TRADE  
ASSOCIATIONS.

8. OUR INITIAL CONCERN ABOUT GAO INSISTENCE ON CONTACTING  
PRC AGENCIES-- CHINA RESOURCES AND BANK OF CHINA. -- WAS  
DISSIPATED WITH TEAM SENSIBLY TOOK OUR ADVICE THAT COM-  
PLICATIONS AND POSSIBLE MISUNDERSTANDINGS WOULD NOT BE  
WORTH SMALL AMOUNT OF INFORMATION LIKELY TO BE OBTAINED.  
PROBLEMS OF ACCESS TO FILES WAS NOT SO EASILY RESOLVED.  
HERE TEAM SEEMED TO WANT TO TEST US TO SEE HOW FAR THEY  
COULD GAIN ACCESS WHEN THERE WAS CLEARLY ALREADY NOT  
ENOUGH TIME TO ACTUALLY READ INTO THE VOLUME OF FILES  
THEY WERE REQUESTING. THEY ASKED TO EXAMINE FILES ON  
82 SUBJECT HEADING WITH PRIORITY TO 19 IN PRC ECONOMIC  
AFFAIRS (GENERAL), FOREIGN TRADE AND TRADE PROMOTION  
(WHICH INCLUDES OUR FILES ON THE CANTON TRADE FAIR).  
WE SCREENED THE 19 IN ACCORDANCE WITH 4 FAM 934. THE  
TEAM INITIALLY CLAIMED WE WERE NOT SUPPOSED TO DO THAT;  
THEN, UPON BEING SHOWN 4 FAM 934, ASSERTED WE WERE  
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OBLIGED TO PROVIDE A LIST OF ANYTHING REMOVED FROM THE

FILES

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9. MORE STICKY WAS QUESTION TO ACCESS TO INFORMATION

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ARGUES VIGOROUSLY THAT CONFIDENTIALITY WOULD BE PRESERVED BY GAO, AND THAT GAO HAD ACCESS TO SUCH INFORMATION IN DEPARTMENT OF COMMERCE AND GAO AND INCORPORATED IN AN EXCHANGE OF LETTERS WITH COMMERCE'S GENERAL COUNSEL. PRICE SAID SIMILAR GROUND RULES WERE DISCUSSED AT AN INTER-AGENCY MEETING, AND THAT [REDACTED] AND POSTS WERE TO BE SO INFORMED. PRICE INTENDED TO PURSUE QUESTION OF ACCESS TO [REDACTED], INCLUDING AN EXAMINATION OF MATERIALS WERE CONSIDER SENSITIVE, UPON HIS RETURN TO WASHINGTON.

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10. POST COMMENT. FROM BEGINNING IT WAS APPARENT THAT GAO REPRESENTATIVES LACKED BACKGROUND UNDERSTANDING OF PRC POLITICAL AND ECONOMIC CONDITIONS AFFECTING TRADE RELATIONS, PROSPECTS AND POSSIBLE METHODS OF DOING BUSINESS WITH CHINA. AS PAINSTAKING EXPLANATIONS BY

CONGEN'S OFFICERS AND LOCAL BUSINESSMEN BEGAN TO REGISTER



GAO QUESTIONS, COMMENTS AND EVEN UNDERLYING HYPOTHESES

AND THEIR CONCEPT OF ISSUES BEGAN TO ALTER. IN THE END, Approved For Release 2002/01/03 : CIA-RDP80B01495R000800060027-9

WE FEEL TEAM WAS BEGINNING TO OBTAIN SOME BASIC UNDER-  
STANDING OF PROBLEMS AND POSSIBILITIES IN CHINA TRADE  
AND MAY EVEN INCORPORATE THIS IN A REPORT USEFUL TO CONGRESS  
SINCE SUCH VISITS APPARENTLY CANNOT BE  
DEFLECTED, WE ARE PREPARING TO CONTINUE OUR EDUCATIONAL  
EFFORTS AND THERE IS MORE GROUND STILL TO BE COVERED  
THAN THAT COVERED IN THE WEEK THEY ALLOTTED TO THEIR  
FIRST VISIT HERE. HOWEVER, WE SEE NO POINT IN THEIR  
SPENDING TIME ARGUING WITH US ABOUT ACCESS TO THE FILES  
AND HOPE THAT DEPARTMENT CAN CLEAR THIS UP WITH GAO  
BEFORE ANY FURTHER VISIT. IN VIEWS OF OUR CONTINUED  
DOUBTS ABOUT GAO'S ABILITY TO MAINTAIN THE DEGREE OF  
CONFIDENTIALITY NECESSARY [REDACTED]

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[REDACTED] WE RECOMMEND AGAINST

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ACCESS TO FILES DESCRIBED PARA 9. WE ALSO WILL CON-  
TINUE TO KEEP THE GAO REPRESENTATIVES AWAY FROM THE  
PRC AGENCIES IN HONG KONG WHICH WOULD UNDOUBTEDLY  
MISINTERPRET THE WHOLE NATURE OF THE ENQUIRY EVEN IF  
WE TRIED TO CONDITION THEM. END POST COMMENTCROSS

BT